

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 SP-02 STR-07 LAB-04
SIL-01 OMB-01 IO-14 NEA-10 ICA-20 OPIC-06 AGRE-00
SS-15 DODE-00 PM-05 H-02 L-03 NSC-05 PA-02 /147 W
-----063367 270014Z /70

P 262348Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7435
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 20-
26

1. SUMMARY: KEY MINISTERS EXPRESS INCREASING CONFIDENCE
ABOUT FY 78 GROWTH TARGET WHILE GOVT EXPANDS SUPPORT FOR
IMPORTS. DOWNWARD ADJUSTMENT OF INTEREST RATES CONTINUES.
EVIDENCE IS MIXED ON RETAIL SALES TRENDS IN JAN-MARCH
QUARTER. IMPORT PRICES (IN YEN) FALL BY MORE THAN EXPORT
PRICES IN MARCH AND ALSO IN JAN-MARCH QUARTER. END
SUMMARY.

2. IN AN OSAKA SPEECH THIS WEEK, FINANCE MINISTER MURA-
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YAMA TOOK NOTE OF RECENT INCREASES IN PRODUCTION, SIGNS
THAT INVENTORIES ARE COMING UNDER CONTROL, AND EVIDENCE OF
QUICKENED CONSUMER SPENDING AND SUGGESTED HE WAS INCREAS-
INGLY CONFIDENT THE GOVT'S FY 78 7 PCT GROWTH TARGET WILL
BE MET. PRESS STORIES QUOTE MURAYAMA AS SAYING: "I
DON'T THINK IT WILL BE SO DIFFICULT TO ATTAIN THE TARGET."
MURAYAMA'S REMARKS ECHO A REFRAIN REPEATED FREQUENTLY IN

RECENT WEEKS IN OFFICIAL CIRCLES. BOJ GOVERNOR MORINAGA MADE A SIMILAR SPEECH THE PREVIOUS WEEK AND EPA OFFICIALS STRUCK THE SAME THEME IN TALKS WITH CEA CHAIRMAN SCHULTZE A WEEK EARLIER. THE GROWING CONFIDENCE EVIDENCED IN OFFICIAL CIRCLES HAS NOT YET, HOWEVER, PERCOLATED THRU TO PUBLISHED FORECASTS OF THE PRIVATE SECTOR, WHERE SKEPTICISM REMAINS EVIDENT.

3. WITH THE CURRENT ACCOUNT GOALS FOR JFY 78, IN CONTRAST, LOOKING MORE ELUSIVE, THE GOJ ON FRIDAY APRIL 21 EXPANDED AND IMPROVED THE FINANCING IT WILL OFFER TO SUPPORT IMPORTS (TOKYO 7098). TEN-YEAR DOLLAR LOANS AT 6 PCT FOR QUALIFIED PROJECTS WILL NOW BE MADE AVAILABLE THRU JAPAN EXIMBANK. NO QUANTITATIVE TARGETS FOR EMERGENCY IMPORTS WERE SET BUT EPA DIRECTOR GENERAL MIYAZAWA TOLD REPORTERS THAT REQUESTS FOR SUCH FOREIGN CURRENCY LOANS HAD EXCEEDED THE GOVT'S EARLIER EXPECTATION AND THAT EMERGENCY IMPORTS MIGHT REDUCE THE JAPANESE SURPLUS BY MORE THAN \$4 BIL. MINISTER KOMOTO OF MITI, WHICH HAS SHOWN A PARTICULARLY FERTILE IMAGINATION IN SUGGESTING EMERGENCY IMPORT SCHEMES, REPORTEDLY TOLD THE PRESS THAT IF THINGS WORK OUT WELL THE PACKAGE MIGHT HAVE A \$10 BIL IMPACT ON THE CURRENT ACCOUNT SURPLUS.

4. POST AND TELECOMMUNICATIONS ADVISORY COUNCIL ON APRIL 18 APPROVED REDUCTIONS IN POSTAL SAVINGS RATES, EFFECTIVE UNCLASSIFIED

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APRIL 25. THE RATE ON ONE-YEAR TIME DEPOSITS WAS LOWERED BY 0.75 PERCENTAGE POINTS TO 4.5 PCT PER ANNUM, THE SAME RATE AS ON ONE-YEAR BANK TIME DEPOSITS. THE INTEREST RATE ON ORDINARY POSTAL SAVINGS WAS REDUCED BY 0.48 PERCENTAGE POINTS TO 2.4 PCT PER ANNUM COMPARED WITH THE 1 PCT INTEREST RATE PAID ON ORDINARY SAVINGS DEPOSITS AT BANKS. IN A SEPARATE DEVELOPMENT, THE GOJ REPORTEDLY INTENDS TO LOWER THE RATES ON HOUSING LOANS PROVIDED THROUGH THE GOVT-AFFILIATED HOUSING LOAN CORP. THE NEW RATE ON 25-YEAR HOUSING LOANS IS EXPECTED TO BE REDUCED BY 0.4-0.45 PERCENTAGE POINTS TO 5.05-5.1 PCT PER ANNUM TO ENCOURAGE NEW PRIVATE HOUSING CONSTRUCTION. COMMERCIAL BANK 20-YEAR HOUSING LOANS BEAR A 7.62 PCT RATE. THE HOUSING LOAN CORP ANNOUNCED APR 25 THAT, ON THE FIRST DAY THAT IT ACCEPTED APPLICATIONS, IT RECEIVED APPLICATIONS FOR HOUSING LOANS AMOUNTING TO MORE THAN HALF OF THE FUNDS AVAILABLE FOR THE FIRST HALF OF THE FISCAL YEAR (APRIL-SEP 78).

5. DEPARTMENT STORE SALES, S.A., ROSE 0.5 PCT IN MARCH OVER THE PRIOR MONTH'S LEVEL, AND FOR THE JAN-MAR QUARTER AS A WHOLE RECORDED A SUBSTANTIAL ADVANCE OF 3.5 PCT

(AFTER THE SMALL DECLINE IN THE OCT-DEC QUARTER OF 77).
ON YEAR-OVER-YEAR COMPARISON, GROWTH IN DEPARTMENT STORE
SALES HAS BEEN ACCELERATING FROM 5.1 PCT IN THE FOURTH
QUARTER OF 77 TO 6.1 PCT IN THE FIRST QUARTER OF THIS
YEAR. SALES OF LARGE-SCALE SELF-SERVICE-TYPE STORES,
HOWEVER, HAVE BEEN LESS VIGOROUS RECENTLY. DURING THE
JAN-MAR QUARTER, GROWTH IN SELF-SERVICE STORE SALES WAS
14 PCT AFTER THE 16 PCT INCREASE RECORDED IN THE FOURTH
QUARTER OF LAST YEAR.

TABLE 1: DEPARTMENT STORE SALES (S.A.; 1975 EQUALS 100;
PCT CHANGE FROM PRIOR PERIOD IN PAREN);

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RECENT MONTHS:

JAN	120.3 (3.0)
FEB	120.2 (-0.1)
MAR	120.8 (0.5)

RECENT QUARTERS (MONTHLY AVERAGE):

1977:APR-JUNE	113.9 (0.3)
- JUL-SEP	116.5 (2.3)
- OCT-DEC	116.4 (-0.1)

1978:JAN-MAR 120.4 (3.5)

TABLE 2: SALES OF DEPARTMENT STORES AND LARGE SCALE
SELF-SERVICE STORES, N.S.A. (IN BIL YEN; PCT CHANGE FROM
YEAR EARLIER IN PAREN):

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- DEPARTMENT STORES SELF-SERVICE STORES

RECENT MONTHS:

JAN	363.5 (4.2)	351.9 (14.6)
FEB	342.9 (6.4)	312.4 (14.3)
MAR	465.7 (7.4)	363.6 (13.6)

RECENT QUARTERS (MONTHLY AVERAGE):

1977:APR-JUNE	383.4 (6.3)	330.4 (17.8)
- JUL-SEP	416.1 (6.9)	354.4 (23.4)
- OCT-DEC	557.1 (5.1)	415.0 (16.1)REV
1978:JAN-MAR	390.7 (6.1)	342.6 (14.2)

6. AVERAGE PROPENSITY TO SAVE OF WORKING HOUSEHOLDS, S.A.
INCREASED IN FEB TO 24.1 PCT OF DISPOSABLE INCOME FROM
22.3 PCT IN JAN.

AVERAGE PROPENSITY TO SAVE, S.A.: PCT OF DISPOSABLE INCOME
(JEI 363)

(1) RECENT MONTHS (2)RECENT QUARTERS (MONTHLY AVG)

1977: DEC 23.3	1977:JAN-MAR 23.3
1978: JAN 22.3	APR-JUNE 22.0
- FEB 24.1	JUL-SEP 22.1
-	OCT-DEC 23.2

NOTES: SEASONAL ADJUSTMENT FACTORS HAVE BEEN
REVISED FOR ALL MONTHS OF 1977, AS IS CUSTOMARY AT THE
BEGINNING OF THE YEAR. DATA ABOVE ARE ON NEWLY REVISED
BASIS.

7. EXPORT AND IMPORT CONTRACT PRICE INDICES (N.S.A.,
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DENOMINATED IN YEN) BOTH DECLINED IN MARCH FROM THE PRIOR
MONTH AFTER RECORDING INCREASES IN THE PRECEDING TWO
MONTHS. AVERAGE DECLINE IN EXPORT PRICES DURING FY 77

(APRIL 77-MAR 78) WAS 5.6 PCT WHILE THAT FOR IMPORT PRICES WAS 7.7 PCT, THOUGH RATES OF DECLINE SLOWED RAPIDLY DURING FIRST QUARTER OF THIS YEAR. ON A QUARTERLY BASIS, IMPORT PRICES HAVE DECLINED MORE RAPIDLY THAN EXPORT PRICES FOR THE PAST THREE QUARTERS.

EXPORT AND IMPORT CONTRACT PRICE INDICES, N.S.A.
(1975 EQUALS 100; PCT CHANGE FROM PRIOR PERIOD IN PAREN)

- EXPORTS (JEI 80) IMPORTS (JEI 88)

RECENT MONTHS:

JAN	89.9 (0.2)	92.2 (0.1)
FEB	90.5 (0.7)	92.4 (0.2)
MAR	89.9 (-0.7)	90.9 (-1.6)

RECENT QUARTERS (MONTHLY AVERAGE):

1977:APR-JUNE	94.2 (-1.4)	105.0 (-1.3)
- JUL-SEP	93.4 (-0.8)	100.1 (-4.6)
- OCT-DEC	90.7 (-2.9)	94.5 (-5.6)
1978:JAN-MAR	90.1 (-0.7)	91.8 (-2.8)

RECENT YEARS (MONTHLY AVERAGE):

FY 76	97.6 (-1.3)	106.1 (4.2)
FY 77	92.1 (-5.6)	97.9 (-7.7)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, DATA, ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 26 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO07518
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780179-0426
Format: TEL
From: TOKYO USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780412/aaaaakdt.tel
Line Count: 251
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7550bda6-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2836374
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 20- 26
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7550bda6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014